

Message Text

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ACTION EA-12

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INFO AMCONSUL BRISBANE
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AMEMBASSY PARIS
AMCONSUL SYDNEY
AMEMBASSY TOKYO
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USOECD

E.O. 11652: N/A
TAGS: EALR, ECON, EGEN, ELAB, ELOW, EFIN, AS
SUBJ: CPI FOR DECEMBER 1977 QUARTER

REF: CANBERRA 7318

1. FIGURES ISSUED JANUARY 26 BY AUSTRALIAN BUREAU OF STATISTICS
SHOW THAT ALL GROUPS CONSUMER PRICE INDEX (CPI) FOR DECEMBER
1977 QUARTER ROSE 2.3 PERCENT OVER SEPTEMBER QUARTER. INCREASE
OVER SAME QUARTER IN PREVIOUS YEAR WAS 9.3 PERCENT. THIS IS
LOWEST YEARLY RATE IN FIVE YEARS. ALTHOUGH THE QUARTERLY
INCREASE WAS HIGHER THAN THAT EXPERIENCED IN SEPTEMBER
QUARTER, THIS IS LARGELEY DUE TO INCREASE IN OIL PRICES CAUSED
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BY GOVERNMENT'S DECISION TO MOVE GRADUALLY TOWARD INTERNATIONAL
PARITY IN CRUDE OIL PRICING. DESPITE THIS, DECEMBER QUARTER
RISE HAS TRADITIONALLY BEEN RATHER HIGH AND LATEST
QUARTER RISE IS LOWEST IN FIVE YEARS.

2. COMMENTING ON THE FIGURES, TREASURER HOWARD SAID
THAT THE DECEMBER QUARTER RESULT WAS CONSISTENT WITH

EXPECTATIONS AND THAT HE LOOKED FORWARD TO FURTHER PROGRESS IN REDUCING INFLATION IN 1978. HE FURTHER INDICATED THAT THE GOVERNMENT'S POLICIES OF EXPENDITURE AND WAGE RESTRAINT WOULD CONTINUE.

3. ACCORDING TO PRESS REPORTS, THE GOVERNMENT WILL AIM FOR A WAGE RISE OF 1.5 PERCENT IN THE NEXT NATIONAL WAGE CASE HEARINGS TO BEGIN ON FEBRUARY 7. AS A BASIS FOR THEIR ARGUMENT FOR WAGE RESTRAINT, THE GOVERNMENT EXPECTED TO PUT FORWARD THE CASE THAT THE REVISED TAX SCHEME WHICH WILL START ON FEBRUARY 1, WILL PUT MORE MONEY INTO THE POCKET OF THE WAGE EARNER THAN FROM ANY RISE GRANTED BY THE COMMISSION. GOVERNMENT ALSO EXPECTED TO CONTINUE PRESS FOR DISCOUNTING OF DEVALUATION EFFECTS, ESTIMATED AT 0.23 PERCENT AND FOR DISCOUNTING OF OIL PRICE INCREASES, 0.3 PERCENT.

4. COMMENT: WHETHER GOVERNMENT WILL BE FULLY SUCCESSFUL IN ITS ARBITRATION COMMISSION STRATEGY AND, IF SO, WHETHER MORE MILITANT UNIONS DECIDE TO RESPECT COMMISSION'S FINDINGS, REMAINS TO BE SEEN. IF GOVERNMENT SUCCEEDS IN MANY OF ITS CLAIMS BEFORE COMMISSION PRESSURE FROM MILITANTS CAN BE EXPECTED TO BE HIGH.

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